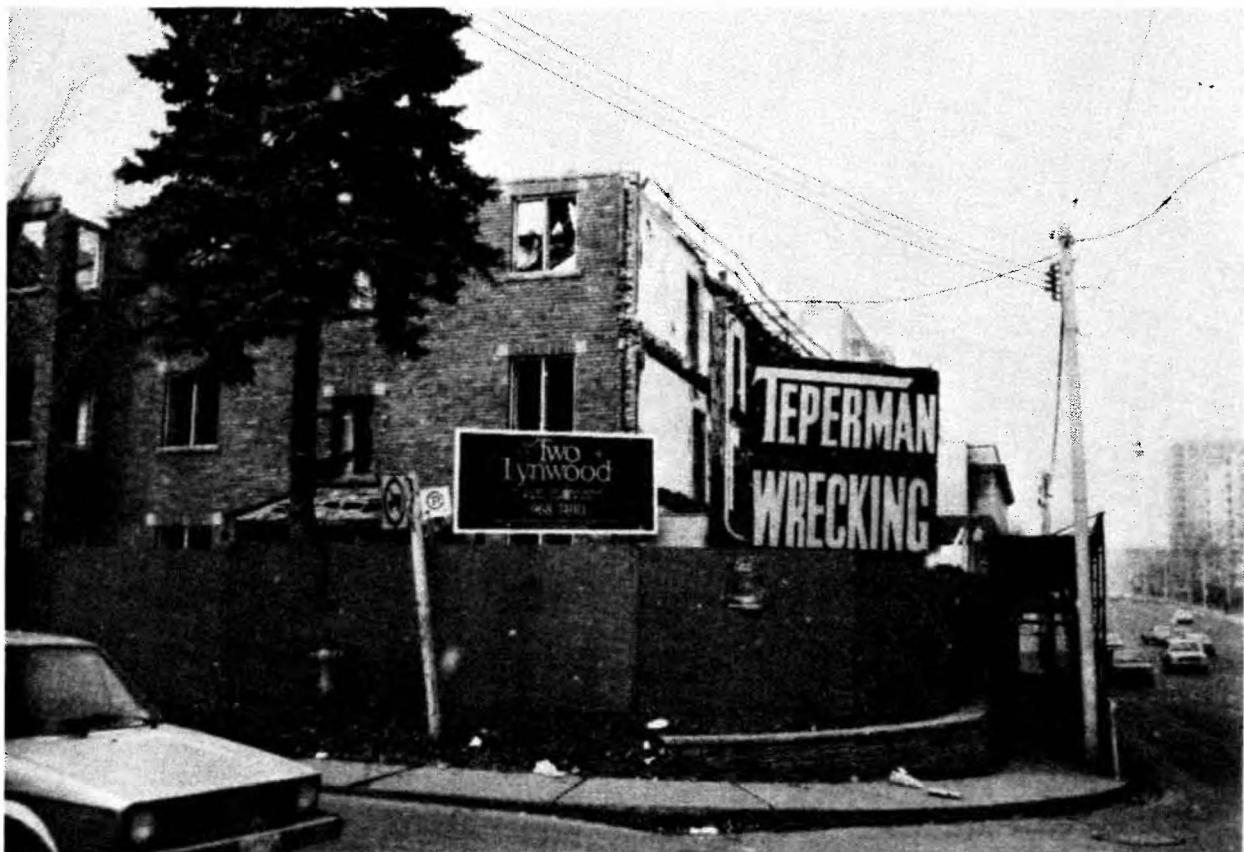


CONFRONTING THE CRISIS



A review of City Housing policy 1976 - 1981
City of Toronto Planning and Development Department
Policy Section, January 1982

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A REVIEW OF CITY HOUSING POLICY,
1976-81.

CITY OF TORONTO PLANNING AND DEVELOPMENT DEPARTMENT
POLICY SECTION

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(Cover Photo by Susan Brideweser. Shown is a rental apartment house being demolished to permit development of condominiums on the site.)

INTRODUCTION

1. Policies and Goals

The City's housing policy adopted in 1976 can be summarized as follows:

- Strong encouragement to residential development in the Central Area, particularly in locations which previously had been mainly commercial. This was to be achieved through relaxing density controls, zoning to permit Official Plan maximum densities as-of-right, specifying densities in units-per-hectare terms rather than floor space indices, and incentive provisions relating to inclusion of a residential component in mixed use projects.
- Assisted housing production to be particularly encouraged, again with emphasis on the Central Area. This was to be achieved through direct production by Cityhome, landbanking and support services for a variety of assisted housing producers and incentives designed to encourage an assisted housing component in private developments.
- Stabilization of existing residential areas, with limited infill permitted. This was to be achieved by relying on the rezoning process to ensure suitability of more extensive redevelopment projects in existing residential neighbourhoods.
- Encouragement of production of housing suitable for families with children.
- Encouragement of production of housing for special-needs groups: seniors, single persons and the disabled.
- Achievement of a balance of tenure in the housing stock between rental and owner-occupied units.

This policy framework was directed to attainment of certain goals:

- retaining the social and economic diversity of the City's population;

- introducing increased vitality and range of uses into the Central Core;
- maintaining the amenity and stability of existing residence areas; and
- ensuring that all residents, including families with children, could continue to find affordable housing in all areas of the City.

The City's housing policy set out production targets for new housing of various types and for various areas. These targets, found in Section 2A of the Official Plan, were to provide Council with guidance and direction over the ten-year period ending Jan. 1, 1986. Annual monitoring reports were to provide Council with a clear indication of the progress being made. Finally, annual targets were to be adopted, to facilitate short term planning and resource allocation.

The City is now more than half way through the ten-year time horizon of the targets. From this vantage point, the likelihood of meeting various 1986 objectives can be appraised realistically. Where such objectives appear to be in jeopardy, sufficient time remains to formulate and implement corrective strategies. Practical experience has been gained with existing policies under conditions which in some major respects are very different from those envisaged in 1975. In particular, housing market conditions have changed substantially, opening up new areas of policy concern, and the framework of housing programs established by senior governments has changed almost beyond recognition.

A review of housing policies in the City at this time is not only appropriate, but also urgent. For many residents, housing conditions have become suddenly and alarmingly worse. Agencies providing emergency housing indicate that even basic shelter cannot be assured for all in need. These considerations, as well as imbalances in new production and pressures on the existing stock discussed later in this report, warrant use of the term "crisis" to describe current conditions.

2. Focus of this Report

Due to pressures in the housing market which have emerged comparatively recently, the City's housing policy has been required to adapt to new concerns. The most significant of these is loss of housing units from the moderate rental stock, a term used in this report to describe reasonably priced rental accommodation found chiefly in the pre-1976 stock of rental apartment houses. This issue is the first area of policy addressed in the present report.

The report also examines the Official Plan private and assisted housing production targets, with regard to their continuing appropriateness and likelihood of being met. The evolving framework of housing programs administered by senior levels of government is evaluated in relation to the City's needs. Recommendations are put forward for corrective action where appropriate.

Finally, the report discusses the problem of providing family housing in a City whose child population has declined very substantially.

Certain housing policy issues are not extensively dealt with here, and will be the subject of separate reports, based on studies now underway but requiring further time for their completion. Separate reports will deal with such topics as:

- issues concerned with infill and stability of established residence areas, having regard for the technical review of zoning in residence areas now being undertaken;
- the question of appropriate residential development along retail strips;
- housing problems of low-income single persons in relation to the City's diminishing supply of rooming houses, and in relation to the special housing provisions of the Official Plan;
- policies respecting senior citizen housing; and

- the effectiveness of housing programs of senior levels of government.

Due to these exclusions, the present report does not address all issues of current housing policy concern. However, a central issue of concern is analyzed extensively, namely the problem of retaining social and economic diversity in a housing stock subject to strong and increasing demand pressures. Addressing this problem requires consideration both of policies which are essentially restrictive (measures designed to retain the existing moderate rental stock), as well as measures more positively directed to increasing supply. The next section of the report, dealing with retention of the moderate rental stock, inevitably involves consideration of policies which are restrictive in character. Positive, production-oriented policies are equally important, however, and are discussed in later sections.

A. PRESSURES ON THE PRIVATE RENTAL STOCK

1. Introduction

Within the past two years, developments which reduce the private rental stock have been a source of increasing concern to Council. These developments include:

- luxury rental renovations;
- apartment house demolitions;
- condominium conversions;
- non-condominium ownership conversions;
- deconversion (use as single residences of houses previously containing rental rooms and apartments).

The framework of housing policy adopted by Council in 1976 did not come to grips with these problems, which originate in market circumstances of a potential extent largely unforeseen at that time. Nevertheless, the various responses of Council to these new concerns together constitute a reasonably coherent policy framework, given the circumstances.

The market circumstances are, most significantly, a moderate rental stock subject to intense demand pressure while governed by rent review legislation. Under these conditions, vacancy rates tend toward zero, and many landlords seek means of disinvesting in rental properties, or seek every possible loophole in the rent review regulations. They do so because the additional profits to be earned by such means are considerable, given the strength of demand. The consequences for low and moderate income residents seeking a place to live in the City are obviously severe.

Not only are many displaced as units are withdrawn from the moderate rental stock, but also certain forms of discrimination increase with respect to the moderate rental stock remaining. Many landlords,

rationing units for which excess demand exists, screen out tenants they view as "high cost", particularly lower-income families with children. Higher income tenants, particularly those without children, appear to represent an increasing proportion of tenants in the rent-controlled stock, although rent review legislation was intended to meet the needs primarily of low and moderate-income tenants.

It should be emphasized that removal of rent review legislation would have even more severe consequences for the City's low and moderate income residents. As City Monitor 81 indicated, the shift of housing demand into centrally located parts of the Metropolitan area has already produced intense upward pressure on prices in the City's ownership housing market (1). Rent review is the only obstacle to similar effects occurring in the rental market.

The harsh reality is that maintaining housing opportunities for all income levels in the City is extremely difficult, whatever strategy is adopted. Maintaining rent review, while continuing to discourage reductions in the moderate rental stock, presently appears to be the best of the feasible policy alternatives. It must be kept in mind, however, that measures to protect the existing supply are an essential part of this strategy: nothing could be more dangerous than to assume that rent review is sufficient in itself to provide a balance of housing opportunities. In what follows, policies addressed to each major threat to the rental supply are reviewed, and the possible role of shelter allowances is discussed.

2. Luxury Rental Renovations

The Residential Tenancies Act and its associated regulations currently embody provisions which could make rent review meaningless in certain areas of the City. Section 128 and Guideline RR-9 provide that rents on controlled buildings can be set at market levels where renovations have been carried out to an extent requiring removal of tenants. Although the

buildings concerned are thereafter again subject to rent review, this requirement is avoided permanently if market levels exceed the \$750/month rent review ceiling.

The Residential Tenancy Commission may believe that the loss of income during renovations would deter such activity in all but cases of essential major renovation, but experience seems to demonstrate otherwise. In some cases, evidently, tenants have been evicted even when renovations are not extensive, because higher post-renovation rents can be obtained from new incoming tenants than from those who remain.

Although former tenants legally have rights of first refusal to renovated units, the legislation includes no provision for enforcing their rights at present. There may be concern among some landlords that former tenants, if permitted back, would question the extent of renovations and the necessity of tenants having been removed in the first place. Other landlords have no objection to allowing former tenants back, provided they can afford the new rent, because renovations have indeed been extensive. The problem in many of these latter cases is that luxury renovations of buildings in sound condition may be undertaken solely to avoid rent review.

The incentives in Section 128 are beginning to cause significant losses of moderate rental units in the City. The problem occurs particularly in areas with a locational premium in the market, such as North Toronto and the Beaches, where substantial rent increases can be obtained.

The housing stock in private rental apartment houses (with six or more units) consists of approximately 88,255 units. As Table A1 indicates, 93% of this housing is in pre-1976 buildings, and most units in such buildings are subject to rent review legislation. Planning staff are currently aware of thirteen buildings, containing 250 units, in which

evictions have been ordered on the basis of renovation activity.

TABLE A1: STOCK OF PRIVATE RENTAL APARTMENTS
IN PRE-1976 APARTMENT HOUSES
CITY OF TORONTO

WARD	NUMBER OF BUILDINGS	NUMBER OF DWELLING UNITS	%
1	85	5,539	7.0
2	148	8,226	10.0
3	38	875	1.0
4	70	2,567	3.0
5	153	7,843	9.5
6	144	13,574	16.5
7	75	10,979	13.5
8	29	991	1.0
9	109	3,968	5.0
10	184	15,790	19.0
11	214	11,903	14.5
TOTAL	1,249	82,255	100.0

SOURCE: Planning and Development Department,
as of January 1, 1981

Council has already taken the steps within its own jurisdiction necessary to discourage undesirable renovation activity. On Oct. 8, 1981, Council adopted a policy that rezonings would not be approved to permit apartment house renovations when such renovations would be likely to reduce the moderate rental housing stock (2). On Nov. 19, 1981, Council adopted By-law 749-81, which applies to apartment houses containing 20 or more units in areas zoned Residential, and prohibits reduction of the number of apartment units to less than the number existing on the date By-law 749-81 was passed (3).

As Table A2 indicates, just over eighty percent of all private rental units in pre-1976 apartment houses are subject to By-law 749-81.

TABLE A2: PRE-1976 PRIVATE RENTAL APARTMENT HOUSES SUBJECT TO MINIMUM DWELLING UNIT DENSITY BY-LAW 749-81

WARD	NUMBER OF BUILDINGS WITH 20 OR MORE UNITS IN "R" DISTRICTS	NUMBER OF DWELLING UNITS	% OF TOTAL UNITS IN PRE 1976 PRIVATE RENTAL APT. HOUSES*
1	34	4,957	89.0
2	86	7,200	88.0
3	3	579	66.0
4	13	1,895	74.0
5	61	5,075	65.0
6	77	9,567	70.0
7	45	10,404	95.0
8	6	616	62.0
9	36	2,726	69.0
10	131	14,666	93.0
11	131	10,028	84.0
TOTAL	623	67,713	82.0

SOURCE: Planning and Development Department.

*Total units in all pre-1976 private rental apartment houses indicated in Table A1.

Of course, many types of renovation activity require neither rezonings nor reduction in the number of units. There appears to be no action within Council's jurisdiction which could prevent them. However, where luxury renovation proposals do involve either a rezoning or a reduction in the number of units, Council has indicated as clearly as possible that removal of housing from the moderate rental stock is contrary to Council policy.

The most effective deterrent to luxury renovations carried out to avoid rent review would be Provincial action to close the loopholes in rent review legislation. The appropriate means of doing this is to place renovations requiring removal of tenants on the same basis as less extensive renovations, the costs of which are recovered in rent increases determined by a rent review hearing and normally spread over 10-15 years. If this were also the recovery basis in cases of extensive renovations, rather than the present authorization to establish market-level rents, the incentive to evict tenants would be reduced. On Oct. 8, 1981, Council advised the Minister of Consumer and Commercial Relations of the desirability of amending rent review legislation along these lines. To date, however, the Minister's only response has been that officials in his Department are studying the matter.

3. Apartment House Demolitions

The demolition of structurally sound rental apartment houses is a problem which has absorbed an increasing share of Council's time and attention. During the period 1976-80 private developers demolished only 3 apartment houses, containing just over 90 rental units. By comparison, during the past year, demolitions proposed or underway involve 20 apartment buildings, containing just over 750 rental units.

Many find it difficult to understand why developers would obtain development sites by demolition of existing buildings, when vacant sites are also available. Economic considerations dictate, however, that many sites occupied by apartment houses are no more expensive to buy than vacant sites in the same area. The vacant site may, in fact, command a higher price since no demolition cost is required.

Properties containing rental apartment buildings can be valued in two ways. One is the value in existing use, determined as the present (capitalized) value of expected future rents from the existing building, net of operating costs. The second is land value,

estimated by assuming that the existing building is demolished, and determining what the highest bidder would pay for the cleared site. As long as value in existing use exceeds land value, the present building is contributing positively to property value and will not be torn down. However, when land value becomes higher than value in existing use, demolition becomes simply a matter of time.

In North Toronto and other areas of the City, where demand for luxury condominiums is strong, land values on sites zoned for apartment use have begun to overtake values of rent controlled apartment buildings, the existing use. As noted above, demolition proposals have been coming forward at an increasing rate.

Under current Provincial legislation, the City has no power to control apartment house demolitions where a proposed new building conforms to the Zoning By-law. In apartment house districts, the Zoning By-law usually permits apartment houses to be constructed at densities similar to those of existing buildings.

The City's attempts to contain demolition pressures began on October 1, 1980, when Council passed By-law 734-80. This by-law attacked the problem by limiting the size of new buildings on sites presently occupied by apartment houses to 11 metres in height and density of 1.0 times lot area. By-law 734-80 was enacted for a two-year period, to permit more effective long-run solutions to be devised.

On June 25, 1981, By-law 734-80 was quashed in the Divisional Court (4). The Court held that discouraging apartment demolitions, however worthy an objective, could not be accomplished by a zoning by-law enacted within the City's powers under The Planning Act. The Court of Appeal, without a hearing, denied the City leave to appeal this decision on September 9, 1981.

At the time By-law 734-80 was quashed, it had been in effect only for half its intended life. Thus the City had not completed work on a longer-term replacement. However, proposed private legislation permitting the City to control apartment demolitions directly has recently been approved by Council and transmitted to the Legislature (5). The enabling bill (Pr.18) is expected to be dealt with by the Legislature in early 1982. If the bill is adopted, Council will be empowered to refuse demolition permits to owners of apartment houses except in cases where buildings are structurally unsafe, or occupy underutilized sites (the latter being defined as having existing density less than half the residential density permitted in the Official Plan). Approximately 95% of the apartment houses in the City would be under Council's protection with this legislation in place.

Pending consideration of this proposal by the Legislature, the City has been attempting to control demolitions by other means, chiefly by refusing to grant exemptions from By-law 395-80. This by-law was enacted on April 28, 1980, for purposes unrelated to demolition control, but sometimes has a controlling effect in that it limits the front-to-rear depth of certain replacement buildings to 17 metres. On September 4, 1981, By-law 395-80 was approved at the Ontario Municipal Board only for areas zoned Z2 and Z3, not for areas with higher zoning designations. The City has appealed this exception to the Cabinet, since most proposed apartment demolitions are in Z4 areas.

The proposed legislation respecting direct control of demolitions is likely to be the only effective means of dealing with the demolition problem. Nevertheless, even this means should not be left in effect for an indefinite period since landlords desiring to demolish their buildings, but legally unable to do so, may not always maintain their properties in an appropriate manner. Legislation such as that proposed is clearly justified only in the exceptional circumstances the City is now experiencing.

Demolition control may benefit tenants by reducing the rate of price appreciation of rental properties. Many property sales have resulted in substantially higher rents, as increased mortgage payments are passed through into rents under rent review. By deferring redevelopment potential of a site, demolition control clearly has a limiting effect on market price. Problems of non-arms-length sales (alleged artificial pricing in sales transactions) and pass-through of higher mortgage interest due to refinancing will not, however, be moderated by demolition control.

4. Condominium Conversions

Control over condominium conversions is effectively in the hands of local councils within Metro. While Metropolitan Toronto holds the power to approve plans of condominium, the current practice is to follow the advice of the area municipality concerned.

For the most part, the issues involved in proposals to convert rental buildings to condominiums have been clear. As long as the rental vacancy rate is extremely low, indicating that a shortage of rental apartments exists throughout the Metropolitan area, removal of units from the rental stock has been viewed as undesirable. Since October, 1974, when Council adopted the condominium conversion policy, in almost all cases Council has refused to permit conversions, and has linked any reconsideration of this policy to attainment of a Metro-wide rental vacancy rate of 2.5%. This threshold is believed to represent the lowest vacancy rate consistent with supply/demand balance and affording tenants a reasonable opportunity to find alternative accommodation.

Recently, there have been a number of attempts to obtain special exemptions from the policy, and issues have been raised which tend to make the appropriate policy direction unclear.

One recently identified issue involves converted dwelling houses. Typically, such properties were in ownership tenure at one time, later were converted to rental flats (perhaps with an owner-occupant as well) and are now the subject of attempted reversion to ownership tenure via plans of condominium. Recognizing that several thousand converted dwelling houses had reverted to ownership tenure as freehold single residences during the 1976-79 period, planning staff came to the view that holding converted dwelling houses in the rental stock was generally not feasible (6). Accordingly, it appeared appropriate to recommend plans of condominium for converted dwelling houses, so as at least to encourage more intensive occupancy of larger houses.

In other cases, this approach was considered desirable as a means of preserving certain large older houses, where the likely alternative to condominium conversion would be demolition and construction of two or three freehold houses on the site. Intensification of use in a manner which preserves the physical form of neighbourhoods is in most cases preferable to intensification which involves disrupting it. On March 13, 1981, Council adopted a planning staff recommendation that plans of condominium be approved for buildings originally built as single residences (7). Thus far, Council has approved condominium plans for 11 converted dwelling houses.

A December 17, 1981 decision of Council to refuse an apparently straightforward application respecting a converted dwelling house, however, places the policy's future in doubt. Since additional applications for conversion have been received, it is expected that Council's disposition of these applications will clarify the future direction of policy respecting condominium converted dwelling houses.

A second issue associated with the condominium conversion policy has arisen in the case of high-rental luxury units. Some Council members have questioned the wisdom of restricting conversion of

such units to condominium, on the grounds that low-to-moderate income residents are not affected. Indeed, one category of units exempt from rent control (buildings occupied after 1975) has been exempted entirely from restrictions on conversion linked to rental vacancy rates, by means of Council's March 13, 1981 amendment to a staff report.

The principal argument against an exemption for luxury rental units is that renovations resulting in higher rents are likely to be more prevalent if condominium conversions are possible as a second step. There would seem to be definite limits to the demand for luxury rental units, which are for the most part rented by households who could also afford to buy. Permission to convert luxury rental units to condominiums, however, poses a much larger threat to the moderate rental stock, due to the possibility of two-step conversions: first moderate to luxury rental, then secondly to condominium.

In reporting on the single case that has so far come forward under the exemption for post-1975 buildings, planning staff put forward further considerations indicating that the exemption may itself be inappropriate (8). It was felt that newer buildings exempt from rent control will come increasingly to provide relief to the rent-controlled stock, as vacancy in the latter approaches zero. Moderate income households unable to obtain rent-controlled apartments can at least obtain temporary shelter in the stock exempt from rent review, even though rents may be at a level that they could not afford in the long run. Nevertheless, in the particular case before it Council's view was that approval of the application was appropriate due to special circumstances associated with that application. Such special circumstances may not arise in relation to future applications.

A final area of difficulty arising with regard to the conversions policy is the source of vacancy rate data to be employed. Staff have recommended, and Council has adopted, the CMHC semi-annual apartment vacancy survey. However, some applicants for

condominium conversion have questioned the reliability of this data source (9). The criticism advanced is that the vacancy rate is under-stated by CMHC, in that condominiums for rent are omitted from the survey. Since presently there are many condominiums for rent which are vacant, it has been argued that including condominiums in the survey would increase the reported vacancy rate.

However, none of the evidence from surveys of condominium buildings, submitted by the applicants for condominium conversion themselves, indicate that vacancy rates in either the City or Metro would rise to any significant extent, let alone to 2.5%, if the CMHC surveys were extended to condominiums. In addition, there are grounds to believe that the number of condominiums available for rent will decrease in future. At present, it is generally recognized that the condominium market is substantially overbuilt in relation to owner-occupant demand, due to the large number of recent project completions. The excess supply units are temporarily on the rental market, but will gradually be absorbed by owner-occupant demand. Termination of the MURB program in the recent federal budget means that in future it is much less likely that condominiums will be built for temporary rental in advance of owner-occupant demand.

Applicants for condominium conversion have also attempted to rely on occupancy data from a Metro planning report which used information from the assessment file. However, assessment counts of unoccupied units over-estimate market vacancy rates. For example, assessors may report units as vacant when the occupant is simply not at home, and may report as vacant units already rented to incoming tenants or undergoing renovations.

In view of these considerations, it appears appropriate to continue relying on the CMHC vacancy survey, and to employ a 2.5% vacancy rate from that source as the threshold level below which condominium conversions of apartment buildings are not approved.

The general issue of condominium conversions is likely to remain controversial. Because of the substantial increase in the value of a building which can result simply from registration of a condominium plan, it is reasonable to expect that Council's policy restricting conversions will be challenged.

While Council already appears to have the necessary authority to meet this challenge, it may well be appropriate to include the condominium conversion policy in the Official Plan. In the one case where Council's decision not to approve a conversion was appealed to the Ontario Municipal Board and subsequently to the Cabinet, the City's decision was upheld (10). However, on March 19, 1981, in a similar appeal against a decision of the City of Cambridge, the OMB over-turned the decision, partly on the basis that little weight should be given to a condominium conversion policy not included in an Official Plan (11). Thus, it would be appropriate to request the City Solicitor to report on this matter.

5. Conversions to Non-Condominium Ownership

Non-condominium forms of ownership tenure for private apartment buildings are not extensively used in this Province, and it appears that marketing limitations make them difficult to develop. Nevertheless, there are several non-condominium buildings in the City where occupancy rights to apartments are sold, two of them recently converted from rental. These buildings, variously described as apartment house companies and equity co-ops, have become a subject of dispute between buyers and incumbent tenants. It appears that legally, purchase of occupancy rights does not carry with it the right to remove an incumbent tenant, although purchasers have not always recognized this. In any event, since other means of removing incumbent tenants are available, conversion of rental apartments to apartment house companies and equity co-ops is likely to result in loss of rental units.

If it is accepted that condominium conversions are undesirable under present conditions of low rental vacancy rates, it follows that conversion of rental apartments to other forms of ownership tenure is equally undesirable. However, Council has no control over conversions of this latter type. In October of 1981 Council requested the Province to seek comments from the municipality concerned when applications to register apartment house companies or equity co-ops are considered. To date, however, the only response has been to indicate that officials of the Ministry of Consumer and Commercial Relations are studying the matter. It should be noted that conversion of rental apartments to non-profit cooperatives, a form of assisted housing, is not a cause for concern. Buildings so converted remain in the moderately-priced stock, and are protected from potential development pressures.

As noted, marketing limitations have so far meant that conversions of rental apartment buildings to private non-condominium ownership tenure have not been a major threat to the rental stock. However, they may become such a threat in future, and Council would be justified in continuing its efforts to gain control over these forms of conversion.

6. Deconversion of Converted Dwelling Houses

Although the City has been aware of the magnitude of the deconversion problem for some time, no action has so far been proposed to discourage deconversions. However with adoption of By-law 749-81, which prohibits reduction of the number of units in apartment buildings with 20 or more units, the question arises whether a similar restriction should be applied to converted dwelling houses. In the view of planning staff, such restrictive action would not be appropriate. The majority of converted dwelling houses are owner-occupied; to require continued multiple occupancy an unprecedented interference in the use of personal dwelling space would be required. In any event the owner of a house could occupy all dwelling units therein, whether they remain nominally separate or not.

The most appropriate policy direction to follow respecting deconversions is to facilitate new conversions of single residences, so as to offset as far as possible the predominant deconversion trend. Unlike certain other municipalities in Metro, the City permits conversions in all areas, except areas zoned R1. In R1 areas, conversions would most likely enter the rental market at the upper end of the price range, or would take the form of condominiums. There does not, consequently, appear to be any compelling social interest in liberalizing the present R1 restrictions.

However, a number of zoning regulations do exist respecting converted dwelling houses in areas where they are permitted, embodied chiefly in By-law 320-80 and related by-laws. These were recently referred to the Commissioner of Planning and Development for reconsideration following public discussion. Avoidance of undue restrictions respecting dwelling house conversions will be a major concern as these by-laws are reviewed.

The recent Federal budget introduced tax changes which may reduce the economic viability of new dwelling house conversions. These changes are currently being evaluated by staff to determine whether their effect will be significant in the City.

7. The Role of Shelter Allowances

The federal government is actively considering introduction of a shelter allowance program, although its implementation in the near future does not appear likely. Such a program would be of relevance to the City, where low and moderate income households are experiencing acute problems of affordability in the private housing market. The likely form of a shelter allowance is to provide households in the private rental market with a payment equal to all or part of the gap between rent and a threshold percent of actual household income (e.g. 30%). Probably it would be limited to households below a certain income level and, as with present assisted housing programs, to the elderly.

and households with children. In addition, there would be a maximum level of rent eligible for subsidy, to prevent subsidizing accommodation above the moderate level.

Some advocates of shelter allowances have proposed that the program be used to permit removal of rent controls, on the basis that low and moderate income households would be protected from hardship which might result from decontrol of rents. Whatever the merits of this position from the national or provincial point of view, it has serious drawbacks from the standpoint of the City. With removal of rent controls, the intensity of demand which exists for centrally located apartments would mean that City rents would likely fall within the upper range of the Metropolitan rent distribution. The intent of the shelter allowance program is to permit low and moderate income households to afford a moderate standard of accommodation. This would likely be based on a rent level somewhere near or below the median for the area as a whole. This being so, low and moderate income households would be outbid in the City even with a shelter allowance.

The question still remains whether a shelter allowance program is desirable with rent review remaining in place. In his 1981 Building Challenges report, the Commissioner of Housing suggests that introduction of such a program would be folly in the present housing market, having regard for the demand pressures which would be generated (12). There is, as the Commissioner notes, a negligible vacancy rate and no prospect of near-term private additions to supply. Subsidy programs which increase private rental demand under these conditions are likely to make matters worse rather than better, in the Commissioner's view.

However, it may be that a properly formulated shelter allowance can be introduced without generating undue demand pressure, avoiding the risks described by the Housing Commissioner. The experience with the SAFER programs for the elderly in Manitoba and B.C. has been, apparently, that seniors assisted under the program do not move to

larger or better units -- at least they have not during the 3-4 years these programs have been in existence. Rather, the allowance helps with affordability problems they face in their present accommodation.

Ontario already has one shelter allowance program, although it is not generally recognized as such. This is the Ontario Property Tax Credit program, which costs over \$400 million/year. The benefits under this program are not well related to need, and it may well become desirable to restructure it into a program more along the lines of the B.C. and Manitoba programs.

The shelter allowance concept does not, unfortunately, address some of the most critical problems facing lower-income tenants housed in the City's private rental market. These problems emerge when certain buildings are either refinanced, permitting very substantial rent increases under rent review, or removed from the rent review process entirely, by means of the luxury renovation process discussed earlier. Shelter allowance programs are invariably based on affordability of average moderate rental units: rents which precipitously move above such average levels are unlikely to remain affordable to low and moderate income households even with a shelter allowance.

8. Conclusions

The City today is in a position opposite to that of traditional affluent suburbs, which attempted to keep low-income residents out: the City is attempting to keep them in. Market pressures are tending to increase social stratification. This may well take the form eventually of an affluent central city surrounded by poorer suburbs.

As the present section of this report has indicated, the City's moderate rental stock is subject to multiple threats, all related in one way or another to the existing intense demand pressure. Dealing

with one threat often seems only to increase the potency of others. Over the longer term, new strategies will have to be explored if the City's goal of maintaining social diversity is to be achieved.

The most promising strategy open to the City in this regard would involve increased non-profit and co-op acquisitions of existing moderate rental buildings. The 1973 Living Room report, which served as the foundation for much of the City's present housing policy, recommended that the City Housing Department develop its portfolio by means of both new construction and acquisitions (13). Program constraints imposed by the Federal and Provincial governments have made acquisition of existing rental buildings difficult. These constraints are discussed in the 1981 Building Challenges report of the Commissioner of Housing. Essentially, Federal and Provincial programs have been geared to new construction, and have not had the flexibility to accommodate acquisitions of existing buildings.

A further problem is that buildings threatened with imminent redevelopment may not be available at prices within Maximum Unit Prices, or at the still lower capital cost limitations imposed by the Province for acquisitions. The reason is that by the time redevelopment of a property is imminent, land value has been bid up to reflect alternative uses, and necessary maintenance expenditures have likely not been carried out, requiring further outlays to bring existing buildings up to required standards. The Commissioner of Housing has been requested by Council to study the feasibility of acquiring certain rental properties threatened with redevelopment, but has so far not found them to be economically feasible propositions. On the other hand, a few co-op acquisitions of rental buildings have proved feasible, which may be a reflection of different Federal/Provincial approval procedures applying to co-ops.

Priority should probably be given to a program of building acquisitions in areas where future redevelopment pressure is likely but not yet

imminent. Where such pressure is already imminent, acquisitions tend to be an expensive proposition, as already noted. Where redevelopment pressure is unlikely, the need for public ownership is less apparent. As the Commissioner of Housing indicates in his 1981 Building Challenges report, senior levels of government should introduce a greater degree of flexibility into their programs to facilitate acquisitions. As the Commissioner also notes, even with such additional flexibility the City's ability to take advantage of acquisition opportunities requires a fund subject to City control, due to the need for acting quickly when properties come on the market. Essentially, such a fund would permit the City to acquire buildings before obtaining Provincial authorization to place them in the Municipal Non-Profit Housing program. Once that authorization is obtained, the fund can be repaid. Such a revolving fund might be described as a "building bank fund" -- similar in concept to landbanking funds. Possible means by which such a fund could be established are discussed below in Section C.

Recommendations:

- A1. That Council request the City Solicitor, in consultation with the Commissioner of Planning and Development and Commissioner of Housing, to report on the desirability of amending the Official Plan to include policies respecting condominium conversion.
- A2. That Council endorse an expanded program of acquisitions of moderate rental apartment buildings, for use as non-profit or co-op housing, and request the Commissioner of Housing to report on short-term targets respecting such acquisitions.
- A3. That Council endorse the use of a building bank fund, or revolving fund under City control, endowed for the purpose of taking advantage of market opportunities to purchase moderate rental buildings for transfer to the assisted housing sector.

B. PRODUCTION IN THE PRIVATE SECTOR

1. Introduction

The Official Plan establishes a City-wide target of 20,000 private housing units and a Central Area target of 15,000 private units, to be approved during 1976-1986. During the 1976-1980 period, City-wide achievements amounted to 17,186 units, while Central Area achievements were 11,365 units. When figures are available for 1981, it is likely that achievements will already have reached the 1986 target for the City, and will be close to having reached the 1986 Central Area target. While these "achievements" may slightly over-state production levels, since they include some projects on the basis of Council approval of a site-plan by-law (without further indication of a construction start), it still appears that Council's ten-year target for private housing will have been met within six or seven years.

The balance of private approvals for the 1982-1986 period should then be viewed as achievements above the targets, and will likely continue at substantial volumes. Council no longer needs to adopt annual targets for private housing beyond 1982, and there does not appear to be any basis upon which to raise the 1986 ten-year target.

The relevance of housing targets becomes apparent primarily when they are not being met; in such circumstances, extraordinary remedial action by Council is justifiable on the basis of the targets. Raising the 1986 target for private housing might be considered if additional stimulus to private production could be needed in the next four years. Such action does not, however, seem to be required in present circumstances.

2. Private Rental

During the six-year period within which the existing framework of housing policy has been in place, private rental production in the City has been substantial. Unfortunately, however, virtually all

of the approximately 6000 units completed were started before the end of 1978, now four years ago. In 1978, major Federal and Provincial private rental subsidy programs -- the Federal Assisted Rental Program (ARP) and the Ontario Rental Construction Grant (ORCG) -- were terminated, and only the Federal Multiple Unit Residential Building (MURB) program has continued since. (MURB was temporarily discontinued during part of 1979, and has now been discontinued again in the Nov., 1981 budget.) While MURB alone was sufficient to obtain some production of luxury condominiums temporarily available for rental, it did not bring about production of conventional rental units during the 1978-81 period. This limitation was cited by the Minister of Finance in justifying the recent termination of the program.

At present private rental production in the City is at a standstill. It is unlikely that this situation will change in the short run without extensive subsidy programs. The Ontario Rental Construction Loan Program offering \$6,000 per unit interest-free loans has been in place for most of the past year, with no take-up in the City. An apparently similar Canada Rental Supply Program, with a \$7,500 per unit loan, was announced in the Nov., 1981 Federal budget, but again does not appear likely to be taken up in the City.

The underlying causes for the halt in private rental production have been the subject of intensive debate. New rental units, including all completed since 1976, are exempt from rent control and have recently begun to show rapidly increasing rents. The fact that rental starts are still not forthcoming is sometimes attributed to high interest rates. This factor may indeed be significant, particularly when interest rates are high in real (inflation-adjusted) terms. However, high interest rates have not led to sharp declines in office-market investment, and it is difficult to blame this factor entirely for the lack of residential rental construction.

A second factor contributing to the decline in rental housing production is the emergence of the

condominium alternative. During the rental apartment boom of the 1960's and early 1970's, this alternative form of multi-residential investment was either non-existent in Ontario or under a cloud resulting from early marketing errors. More recently, condominiums appear to have found a profitable niche in the marketplace. It is possible that developers of rental buildings in future will register a plan of condominium simply as a means of keeping their options open. Under this scenario, rental apartment buildings as traditionally known would become a thing of the past: tenants could be removed in favour of owner-occupants at any time. Regulatory action or subsidy programs might, however, be designed to discourage such routine condominium registration of new rental buildings.

A third factor sometimes cited as a cause of rental investment decline is the perceived risk that rent controls might be extended to post-1976 rental buildings. While opinion may be divided as to the credibility of this risk, major developers -- whose decisions must be viewed as relevant in this regard -- appear to apply a relatively high discount factor to expected future rents from rental buildings, based on the risk factor. It is unquestionable that expectations and perceived risk play a major role in determining investment decisions, and it may be that only very high initial rents will compensate for risk sufficiently to bring about resumption of unassisted rental starts.

In any case, whether or not removal of rent review would bring about increased rental starts, such removal would not be in the interests of the City, given its present housing goals. While an uncontrolled market might in the long run produce housing affordable to moderate income households in parts of the metropolitan area, it is unlikely to do so in centrally located areas where demand is strongest. The City's chief housing objective is to maintain the diversity of its social fabric. At present continued rent review is essential to any viable housing strategy directed to this end. The Provincial government appears to view continued rent review as desirable, or at any rate as inevitable.

Assuming that unsubsidized rental construction is not a likely short-term prospect, the question remains whether subsidy programs directed to private rental developers are a valid use of public funds. At one time, Federal subsidy programs involved a "limited dividend" concept -- indeed an assistance program was formerly in existence under that name. The limited dividend concept entails a form of rent control to achieve a fixed rate of investor return: in exchange for subsidy, developers were required to forego rationing units to highest bidders under conditions of short supply. More recent programs -- ARP, ORCG, MURB and ORCLP -- provide for market rents instead. Except in the case of MURB, attempts have been made to control rents indirectly, via "modest" standards of accommodation: either limitations on unit size or on capital outlay were imposed.

Experience has shown, however, that market rents on the resulting units can -- despite the floor area and capital cost limits imposed -- exceed the means of moderate income households in the City. The same result could easily occur in the case of ORCLP and the new Federal program. These programs do embody, as the Commissioner of Housing notes in his 1981 report Building Challenges, certain desirable features: delivery of the subsidy is uncomplicated, there are no "time bombs" placed under mortgage repayment schedules, and 25% of ORCLP units must be made available for rent supplement if needed by the local Housing Authority. However, there may be feasible modifications to these current private subsidy programs which would target them toward groups more in need of assistance.

A fixed-return limited dividend feature would, from the standpoint of the City at least, be desirable in private subsidy programs. While it might be argued that developers will not build without the prospect of speculative returns, a guaranteed fixed return can also be attractive. This may be particularly true under present conditions, which make speculative development seemingly unattractive in the private rental sector.

Modification of present subsidy programs to reinstate the limited dividend concept would clearly have to be undertaken with care. Some buildings constructed under previous limited dividend programs have been the subject of landlord-tenant conflicts. However, this experience does not appear to result from elements inherent in the limited dividend concept, but rather from administrative approval procedures followed under the early programs.

A balanced social housing program should make use of both private and public resources. Many landholdings are unlikely to be available to public housing agencies, whatever the structure of subsidy programs. Private subsidy embodying the limited dividend concept would make these sites available for rental housing production, in a manner directed to low and moderate income household needs. This strategy would, among all subsidy strategies aimed at the private sector, accord best with the present requirements of the City.

2. Condominiums

The recent surge in condominium construction in the City has been remarkable. It is estimated that the stock of condominiums completed and under construction in the City as of December, 1981, consists of just over 6,000 units, three-quarters of which have been built since the City's present housing policies were adopted in 1976.

There is no doubt that land-use controls respecting downtown housing, as liberalized by the Central Area Official Plan amendments, inter-acted with market demand so as to produce strong supply response in the condominium sector. As-of-right availability of Official Plan maximum densities, units-per-hectare density specification, mixed-use zoning provisions and Council's strong commitment to downtown housing all helped to ensure an environment of flexibility in which private resources could operate effectively.

This condominium housing, while unfortunately very expensive for the most part, will nevertheless help obtain Council's goals of vitality and diversity of uses in the Core, and reduce journey-to-work distances. Moreover, satisfaction of demand for luxury housing by new production tends to relieve pressures on the existing moderate rental stock; such demand would generate even more pressure for condominium conversions and luxury renovations of the moderate rental stock than now exists, were it not for the new production which has occurred.

Much of the criticism of Central Area condominium production fails to take account of the positive results it achieves -- particularly the satisfaction of luxury market demand without negative impact on the moderate rental stock. One of the resolutions adopted at the Mayor's Conference on Housing in November, 1981, called for a limitation on condominium approvals to 25% of total housing approvals in the City (14). Such a quota would bring about undesirable consequences. If diversity of socio-economic groups in the City is to be maintained, demand for centrally located housing by affluent households -- which one way or another will be satisfied -- should be met by means not requiring displacement of lower income households.

Notwithstanding these considerations, however, some modifications to land use controls respecting residential development in the Core may become desirable in light of experience gained with recent condominium development. The scope of this development was not clearly envisaged when the Central Area Plan amendments were brought forward in 1976, and was envisaged still less when the Core Area Housing Study was undertaken in 1974-5.

Average unit sizes have been quite large in the luxury condominium sector, generally in the range of 1800 sq.ft. and up, with relatively few units significantly below that average. These unit sizes, in association with liberal units-per-hectare density controls and setback requirements, entail the need for creative site planning to avoid excessive building bulk. This need has been met

adequately in the case of some projects, less so in the case of others. Additionally, as is noted in more detail in the next section, the 25% bonus for assisted housing has become ineffective with condominium developments, in view of the problems with bulk encountered even without use of the bonus.

It now appears desirable to study requiring a range of unit sizes in multiple-residence developments controlled by units-per-hectare zoning; such a requirement would be intended to reduce average unit size somewhat, as well as to open condominium ownership to a wider range of incomes. Such a strategy should, of course, have regard for the need to avoid significant reduction to the viability of condominium development in the Central Core since continued production at substantial volumes remains desirable in this sector.

Whether or not a requirement to include units in the smaller size ranges ultimately proves feasible, consideration should also be given to measures aimed at achieving greater public benefit from condominium developments. While downtown housing is and will continue to be a benefit in itself, it is possible that additional public benefits such as greater assisted housing production or parks acquisitions could be obtained through modifications to the approval process. This matter is discussed further in Section C, below, dealing with assisted housing.

3. Conclusions

There is an obvious current imbalance in private housing production between ownership and rental tenure. However, no policy instrument within the City's control can correct this imbalance. Subsidy programs financed by senior levels of government will be required if private rental production is to resume. Such programs would be desirable with incorporation of a fixed-return limited dividend feature; this feature would ensure rents within the means of moderate income households in the City, both initially and over the longer term.

Condominium production in the City is likely to continue at substantial volumes, although discontinuation of the MURB subsidy and current marketing problems may lead to some slowdown compared with the recent past.

The 1986 private housing targets in the Official Plan are likely to have been effectively met as of the end of 1981, although final figures for 1981 achievements are not yet available. There does not appear to be any policy basis for increasing the 1986 private housing target, an action which would require an Official Plan amendment. Approvals over the next four years are likely nevertheless to be at substantial levels, and will constitute achievements over target. Notwithstanding early achievement of the private housing target, it should be emphasized that development of private housing continues to be desirable in the City. This is particularly the case so far as rental housing and housing suitable for families with children are concerned (see Section D). However, the circumstance of having met the target suggests that the City is not required to make significant sacrifice of planning objectives to obtain private housing. An exception to this generalization arises in the case of private housing priced within the means of low or moderate income households, should its production become feasible. Such housing would help to meet the same social objectives served by assisted housing production, which has been at inadequate levels (see Section C).

Recommendation:

- B1. That Council endorse the principle of employing federal and provincial housing subsidies for private developers on a limited dividend basis, that is specifying rents and subsidies so as to achieve rents within the means of moderate income households and a fixed rate of investor return, and that the Federal Minister Responsible for Housing and the Ontario Minister of Municipal Affairs and Housing be so advised.

C. PRODUCTION IN THE ASSISTED SECTOR

1. Introduction

Previous sections of this report have indicated both that low and moderate income households are being displaced from the City's moderate rental stock and that new private accommodation is usually beyond their means. Assisted housing production has been unable to keep up with the obvious need.

TABLE CI: ASSISTED HOUSING TARGETS AND ACHIEVEMENTS AS OF JANUARY 1, 1982.

AREA	No. of Units
<u>CITY OF TORONTO</u>	
1986 Target	20,000
Achieved as of Jan.1/81	8,785
1981 Achievements	683
Total Achievement, Jan.1/82	<u>9,468</u>
Balance to Achieve	10,532
<u>CENTRAL AREA</u>	
1986 Target	15,000
Achieved as of Jan.1/81	5,307
1981 Achievements	181
Total Achievement, Jan.1/82	<u>5,488</u>
Balance to achieve	9,512

Source: City Monitor 81, Vol.2, July, 1981,
& preliminary figures from
City Monitor 82, Vol. 2,
(forthcoming)

As indicated in Table C1, the six-year achievement realized to date is far behind what it should be in relation to targets; achievements during the most recent year (1981), are at a particularly inadequate level.

Additionally, the Commissioner of Housing's 1981 Building Challenges report shows that this shortfall is likely to grow worse over time, unless major corrective measures are undertaken.

Assisted housing production is an essential element in achieving Council's Official Plan objectives, particularly the equitable distribution of housing to meet the needs of identified target income groups. Reliance on "bricks and mortar" has been a cornerstone of the City's policy at least since the 1973 Living Room report. Reliance primarily on "trickle-down" or "filtering" of older private housing to low and moderate income groups, even if effective in relationship to the Metro market as a whole, could not provide for diversity of income levels within the centrally located areas comprising the City of Toronto, since these are the areas of most intense demand pressure. Indeed, older housing is particularly in demand among higher income groups. The Official Plan contains strongly-worded statements respecting the achievement of assisted housing targets:

It is the policy of Council to take direct action to ensure that its short- and long-term assisted housing targets are met and to the extent that those targets cannot be met by other producers and programs, Council, either directly or through its housing corporation, will:

- a) produce new housing for individuals and families of low-to-moderate income; and
- b) acquire, improve and/or convert existing houses for individuals and families of low-to-moderate income.

There are a number of reasons why assisted housing production is falling behind targeted levels. One reason is that in the original development of the targets (as outlined in the 1974 Core Area Housing Study report) 2500 units were allocated to the Assisted Home Ownership Program (AHOP) which has been terminated (15). Another 6000 units were allocated to programs for which additional units are no longer being acquired, at least in the City -- Public Housing and Private Rent Supplement. The latter program was envisaged as the delivery mechanism for private-market bonus units. Currently only Municipal and Private Non-Profit Housing, Non-Profit Co-ops and Senior Citizen housing programs are actively funded. In the 1974 Core Area Housing Study, these programs were envisaged as suppliers of only 54% of the assisted housing target; the remaining 46% was to have been supplied under the now discontinued or contracting programs. The active programs have, in fact, accounted for production at levels well above the targets allocated specifically to them.

Notwithstanding the reduction in programs, the overall assisted housing target should not be reduced. Needs are such that the 20,000-unit target continues to represent a minimum acceptable level of assisted housing production over the 1976-86 period. Accordingly, means of increasing production under the remaining viable programs must be evaluated.

2. Getting Back on Target

The 1981 Building Challenges report of the Commissioner of Housing clearly identifies the constraint which is limiting non-profit and co-op production: availability of appropriately priced land. The Commissioner discusses the problem of meeting C.M.H.C.'s Maximum Unit Prices (MUP's) in high land-cost inner city areas, and concludes that varying MUP's to take account of land cost differentials will not be sufficient to solve the problem. A program of land assembly and write-down is also required. The Commissioner indicates that land acquisitions for assisted housing should be made an objective in rezoning applications, and further, that financial commitments on the part of the City itself should be considered.

The matter of rezoning applications is one already under preliminary consideration in the Planning and Development Department. As the Commissioner of Housing notes, and as was outlined in detail in a planning report dated May 14, 1981, the bonus density provisions of the Official Plan -- designed to achieve assisted housing in association with private residential developments -- have not been effective (16). Not only has the Province been unwilling to lease new private rent supplement units in the Central Area, but private rental buildings (the potential source of such units) no longer are being developed. As for condominium developments, large average unit sizes have tended to produce building bulk such that additional structures for non-profit or co-op housing could not be accommodated.

While possible future reductions in average condominium unit sizes may make it possible to accommodate assisted housing on some sites, it seems clear that significant production of assisted housing within the bonus provisions of the Zoning By-law and Official Plan must await a resumption of private rental production.

It is this circumstance which led the Commissioner of Housing to propose consideration of off-site provision of bonus assisted housing -- or as an alternative, land or cash to be used for that purpose -- as possible elements in rezoning agreements. While preliminary consideration indicates that there is merit to this suggestion, it may be difficult in some cases to determine appropriate settlements in relation to the developer's financial gain from rezoning. In cases where rezoning and/or Official Plan amendments are refused by the City due to inadequate contribution toward assisted housing, there may not be support for the City's position at the OMB.

In view of the need to acquire substantial amounts of land for assisted housing at reasonable cost, it is appropriate to consider other possible courses of action. The Commissioner of Housing's report indicates that revenues for land write-down should

be provided by senior levels of government and that financial contribution on the part of the City may be appropriate.

The major difficulty with any major financial commitment on the part of the City is its lack of a progressive tax source. Unless the distribution of benefits from assisted housing is very progressive, financing by means of local increase in the property tax entails the risk of regressive impact. It would be desirable if a City financial commitment to land write-down could be financed by means of a progressive tax instrument.

Such an instrument might well be found in a development levy on new commercial and condominium development. A levy of this type -- which could be at a level in the vicinity of \$2-\$5 per square foot of building area -- may be expected to have an incidence primarily on land value when raised at the local government level. That is, developers would take the levy into account in bidding for sites, so that its impact would be shifted back into land price. Such an incidence pattern is likely to be highly progressive.

A development levy as just outlined could generate resources sufficient to address problems of the magnitude now faced by the City, when added to contributions of senior levels of government. In addition to the need to get assisted housing production up to target levels, there is the need to establish a building bank fund, as indicated in Section A above, to facilitate non-profit and co-op acquisition of existing moderate rental apartment buildings.

All relevant factors being taken into account, the development levy appears to be the most appropriate strategy for the City to pursue at this time. Such a levy would be similar in principle to existing Planning Act provisions respecting parks levies imposed on new residential development. It would, of course, require enabling legislation from the

Province. It may also be desirable to provide additional funding through sale of certain City-owned properties which are no longer required for municipal purposes.

3. Emergency Temporary Shelter

A housing problem which has become painfully apparent in recent months is the absence of even basic shelter for increasing numbers of people. Agencies providing temporary shelter have been unable to keep abreast of requirements, and solutions to this problem are now of the most urgent concern.

Although Cityhome has been only marginally involved to date in providing temporary shelter accommodation, no resource should be overlooked. Accordingly, the Commissioner of Housing should be requested to report on the feasibility of increased Cityhome provision of temporary shelter accommodation.

4. Conclusions

As indicated in this Section of the report, the 20,000-unit assisted housing target of the Official Plan still constitutes a minimum acceptable level of assisted housing production for the 1976-86 period. Although many programs have been scaled down, there has been no scaling down of the City's need. Indeed, needs have become more urgent. It is clear that the assisted housing target cannot be met given recent production levels. The future constraints on production outlined by the Commissioner of Housing in his 1981 Building Challenges report are of particular concern in this regard.

It is essential that revenues be obtained to permit land writedown to levels consistent with viable assisted housing production. It is also essential to establish funding to facilitate non-profit and co-op acquisition of existing moderate rental apartment buildings, as discussed above in Section

A. As suggested by the Commissioner of Housing, the City should be prepared to undertake financial commitments for these purposes.

This report proposes the study of a new taxation instrument to finance assisted housing development and acquisitions: a development levy on commercial and condominium residential projects. Such an instrument is likely to be highly progressive, unlike the property tax, and in consequence an appropriate instrument for use in housing development and acquisitions.

Recommendations:

- C1. That Council request the Commissioner of Planning and Development, in consultation with the Commissioner of Housing and other appropriate City officials, having regard for economic implications, to report in detail on a form of development levy to be applied to commercial and condominium residential developments, which would fund land and building acquisition and write-down to permit transfer to assisted housing sectors.

- C2. That Council request the Commissioner of Housing to report on the feasibility of increased Cityhome provision of temporary emergency shelter accommodation.

D. FAMILY HOUSING

1. Introduction

The Official Plan has set ten-year targets for housing suitable for families with children. These targets reflect Council's goal of moderating as much as possible the decline in child population of the City, and thus helping to ensure the continuing vitality of the City's social fabric. More precise guidelines than those found in the Plan itself are required, however, in order to monitor progress toward the targets.

The definition of housing suitable for families with children in the Official Plan is "grade-related dwelling units containing two or more bedrooms, having at least one direct non-mechanical means of access to grade" (Section 10.1). The unit-size criterion is clear, and "grade-related" has been interpreted as specifying units located no higher than three storeys above grade, podium or deck level. However, terms such as "direct non-mechanical access" have been subject to various interpretations, and the definition does not specify that recreation space in the form of play areas should be provided. Some form of direct access to play areas is one of the most important elements in housing designed specifically for families raising young children.

Within the context of the ambiguities just outlined, monitoring reports have counted all large units within three storeys of real or artificial grade as achievements toward targets, even those in high-rise buildings which turned out to be primarily or exclusively for adults.

The 1974 Core Area Housing Study, which served as one of the housing policy's foundations, envisaged housing suitable for families with children as large units designed primarily for families raising pre-school and school-aged children - old enough to play outdoors unaccompanied, but young enough to require close supervision from home. That study's design

guidelines described appropriate housing for such families as:

- units with two or more bedrooms;
- within three storeys of outdoor recreation space in the form of play-areas provided at grade, podium or deck-level; and
- providing access to play areas at real or artificial grade without using corridors, elevators or stairways intended primarily for safety purposes.

Forms of housing which would satisfy these guidelines include single and semi-detached houses, multi-plexes, stacked townhouses, maisonettes (townhouses built into lower storeys of high-rise buildings), and other forms of housing either opening directly onto play areas or providing access to play areas via main stairways or stairwells.

These guidelines would exclude apartments in buildings which only provide access to outdoors via corridors.

The Core Area Housing Study recognized that large apartments which open onto corridors, even in high-rise buildings designed primarily for adults, provide acceptable accommodation for many families with children, particularly families with infants or older teenagers and families who cannot afford other forms of housing. However, the family housing targets were intended to encourage provision of forms of housing designed specifically for families raising young children, where suitable recreation space which can be used as play areas is provided.

Accordingly, it now appears appropriate to elaborate on the definition of housing suitable for families with children in the Official Plan, so that the public is made more fully aware of what forms of housing are to be encouraged under this heading. This elaboration should be reflected in development

review guidelines, and should be taken into account in monitoring progress toward targets. Housing units which provide access to outdoors only via corridors should be excluded -- not because they are unsuitable for families with children, but because they are not types of housing specifically designed for families raising young children, and because they are less likely to represent the housing market choice of families with children.

2. Targets and Achievements

As noted above, City Monitor reports on housing development have counted all large units within three storeys of grade or podium level as achievements toward targets for housing suitable for families with children, even units in high-rise buildings designed exclusively for adults. On this basis, Tables D1 and D2 show achievements at the end-of-1980 five-year mark as:

- just under the ten-year City-wide target for private housing;
- just over one-half of the Central Area ten-year target (private and assisted units combined), with the private sector providing two-thirds of the total; and
- just under one-third of the City-wide ten-year assisted housing target.

TABLE D1: NEW HOUSING SUITABLE FOR
FAMILIES WITH CHILDREN
TARGETS AND ACHIEVEMENTS AS OF JAN. 1, 1981.

	Private Units	Assisted Units	Total Private & Assisted Units
<u>City of Toronto:</u>			
Target	5,000	5,000	10,000
Achievement	4,587	1,509	6,096
Balance	413	3,491	3,904
<u>Central Area:</u>			
Target	-	-	5,000
Achievement	1,777	860	2,637
Balance			2,363
<u>Outer Neighbourhoods:</u>			
Target	2,500	2,500	5,000
Achievement	2,810	649	3,459
Balance	Nil	1,851	1,541

Source: City Monitor 81, Vol. 2, City of Toronto
Planning & Development Department, July
1981.

The task of revising these figures to remove units having access to play areas only via corridors has not yet been fully completed. Preliminary indications are, however, that achievements in the Outer Neighbourhoods would not change significantly, but that in the Central Area approximately 600 private units and 300 assisted units would be deleted from achievements. In terms of City-wide targets, this would decrease the assisted achievement at the half-way mark to 1,200 from 1,509 -- making the 5,000-unit target appear extremely difficult to attain. The private achievement would stand at approximately 4,000, leaving the target of 5,000 still comfortably within reach. The Central Area achievement would stand at approximately 1,700, making achievement of the 5,000-unit target

problematic. This latter circumstance is indicative of production short-falls in the assisted, rather than the private sector.

As Table D2 indicates, the burden of providing new assisted family housing has fallen almost entirely on Non-Profit and Co-operative producers. However, this sector has been unable to provide the 500 units per year which the 1974 Core Area Housing Study considered to be a reasonable production target, largely due to inadequacies of MUPs for large units. The Commissioner of Housing's 1981 Building Challenges report indicates that large areas of the City have been financially off-limits to non-profit housing producers and, in particular, severe capital cost limitations and administrative practices have discouraged production of family housing. It seems highly unlikely that assisted family housing targets will be achieved unless there is a substantial restructuring of programs.

TABLE D2: NEW HOUSING SUITABLE FOR
FAMILIES WITH CHILDREN
CITY OF TORONTO, BY PRODUCTION SECTOR
AS OF JANUARY 1, 1981.

	Achievements (No. of Units)
<hr/>	
<u>Assisted</u>	
Public Non-Profit (CityHome)	768
Private Non-Profit and Co-operatives	574
Private Ownership (A.H.O.P.)	155
Private Rental (Rent Supplement Units in Private Projects)	12*
	<hr/> 1,509
<u>Private:</u>	
Ownership	4,007
Rental	580
	<hr/> 4,587
TOTAL	6,096
<hr/>	

Source: City Monitor 81, City of Toronto Planning
& Development Department, July 1981.

* 1110 Bay Street (7) and 27 Wellesley St. E. (5)

3. Occupancy

Council's adoption of family housing targets was, in part, based on concern regarding loss of existing housing opportunities for younger families in the City, and the need to ensure substantial occupancy of new housing by families with children. Achievement of targets would ensure that at least one-quarter of the new housing approved in the 1976-86 period would be provided in forms preferred by families with children. However, it is important to recognize that in the short run at least, provision of family housing does not ensure that such housing

will in fact be occupied mainly by families raising young children.

Council's level of control over occupancy is limited. In Cityhome housing, families with children can be given preference over other applicants, and a high proportion of non-profit co-operative units are made available to families with children. It is only in the assisted sector, however, that any degree of public control over occupancy exists.

In the case of private rental housing production has fallen, and near zero vacancy rates permit landlords to screen out potential tenants with children. The Ontario Government's proposed amendments to the Ontario Human Rights Code would allow landlords to continue excluding families with children from multiple-unit buildings. In this regard, Resolution No. 10 of the Mayor's November, 1981 Conference on Housing requests the Mayor to establish a working committee to prepare submissions to the Province, with regard to the need for legal restrictions on adult-only buildings. The planning staff have recommended that this resolution be adopted, in their report on the Conference submitted to the Planning Board on December 7, 1981. Alternatives to human rights legislation may have to be evaluated as means of control over adult-only buildings.

With regard to housing for ownership tenure, high interest rates and house prices have considerably reduced home-ownership accessibility for families with children. Childless households with two or more wage-earners can generally outbid families who must budget for costs of raising children, and the demand for central locations by adult households has continued to grow since the Official Plan was adopted. It is likely that new housing being provided in forms suitable for families with children will, in fact, be extensively occupied by singles, couples without children, and groups of adults sharing ownership.

The Department of Planning and Development recently surveyed occupants of just over 1,300 units having two or more bedrooms and located within three storeys of grade, built in the City between 1974 and 1977 (17). The results show that only one-half of all such units actually housed families with children under 18 years of age. With respect to private and Cityhome units, the percentages occupied by families with children were:

• private owner-occupied	49%
• private rental	43%
• Cityhome Rent Supplement	83%
• Cityhome Market Rents	56%
• All Types	50%

It should be noted that at the time of survey, only 124 Cityhome units in the survey had been occupied. Thus the figures reported for Cityhome units may no longer reflect occupancy characteristics, given that a much larger number of units are now occupied. Unfortunately, precise data are not available to indicate the extent of actual family occupancy of units excluding those having access to play areas only via corridors. However, it is likely that the percentages above would significantly increase with the exclusion of such units, since average household sizes appear to be higher in new units with either direct access to play areas or access via main stairways (18).

4. Conclusions

Market pressures are tending to reduce housing opportunities for families with children in the City. Households without children are generally better able to compete in the housing market than families with children. The City's housing policy is, and should continue to be, aimed at resisting these market pressures to the fullest extent possible. Adoption of targets for production of housing units suitable for families with children is an essential element in such a housing policy. Production of such housing in the assisted sector is farther behind target than is housing of any other type. Family assisted housing, accordingly, should be given highest priority in future.

Private housing suitable for families with children is being developed at a rate above target requirements -- a fortunate circumstance in view of the lower family-household occupancy rate of such housing compared with assisted. In this regard, the City's housing policy directed to the private sector must include continued efforts to obtain legal restrictions on adult-only buildings.

A necessary element in reaffirming the City's commitment to family housing is elaboration of the Official Plan definition of Housing Suitable for Families with Children, as outlined in this Section. This step will permit more accurate monitoring and more appropriate policy formulation than is possible at present.

Recommendations:

D1. That Council endorse monitoring as achievements towards targets for housing suitable for families with children only dwelling units:

- containing two or more bedrooms;
- the main entrance to which is no more than three storeys above recreation space provided for play purposes, at grade or such artificial grade as a landscaped open podium or deck;
- having at least one means of access to such recreation space either directly or via a stairway accessible by means other than internal corridors.

D2. That Council request the Commissioner of Planning and Development to include a description of housing suitable for families with children, as specified in Recommendation D1, in development review guidelines and other appropriate documents intended for the public's use.

SUMMARY OF RECOMMENDATIONS

- A1. That Council request the City Solicitor, in consultation with the Commissioner of Planning and Development and Commissioner of Housing, to report on the desirability of amending the Official Plan to include policies respecting condominium conversion.
- A2. That Council endorse an expanded program of acquisitions of moderate rental apartment buildings, for use as non-profit or co-op housing, and request the Commissioner of Housing to report on short-term targets respecting such acquisitions.
- A3. That Council endorse the use of a building bank fund, or revolving fund under City control, endowed for the purpose of taking advantage of market opportunities to purchase moderate rental buildings for transfer to the assisted housing sector.
- B1. That Council endorse the principle of employing federal and provincial housing subsidies for private developers on a limited dividend basis, that is specifying rents and subsidies so as to achieve rents within the means of moderate income households and a fixed rate of investor return, and that the Federal Minister Responsible for Housing and the Ontario Minister of Municipal Affairs and Housing be so advised.
- C1. That Council request the Commissioner of Planning and Development, in consultation with the Commissioner of Housing and other appropriate City officials, having regard for economic implications, to report in detail on a form of development levy to be applied to commercial and condominium residential developments, which would raise funds for land and building acquisition and write-down to permit transfer to assisted housing sectors.

C2. That Council request the Commissioner of Housing to report on the feasibility of increased CityHome provision of temporary emergency accommodation.

D1. That Council endorse monitoring as achievements towards targets for housing suitable for families with children only dwelling units:

- containing two or more bedrooms;
- the main entrance to which is no more than three storeys above recreation space provided for play purposes at grade, or such artificial grade as a landscaped open podium or deck;
- having access to such recreation space either directly or via a stairway accessible by means other than internal corridors.

D2. That Council request the Commissioner of Planning and Development to include a description of housing suitable for families with children, as specified in Recommendation D1, in development review guidelines and other appropriate documents intended for the public's use.

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